

NEW  
**ECONOMICS**  
FOUNDATION

# **CHANGE THE RULES**

**NEW RULES FOR  
THE ECONOMY**

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# THREE MISSIONS TO TRANSFORM OUR FAILING ECONOMY

**T**he crisis in our current model of capitalism is set to dominate the 2020s. And its impact is being felt in three ways:

**The first is an economy that is running out of steam.** This has been long in the making, but has come into sharp focus since the global financial crisis. Over the last decade, economic growth has failed to benefit most people. As a result, people in the UK are, on average, poorer today than they were in 2008. There is no other example in modern records where average incomes were lower at the end of a decade – or any other given 10-year period – than at the beginning. British household debt is now higher than it was before the financial crisis,<sup>1</sup> as more people borrow just to get by, and a staggering 14.3 million people live in poverty.<sup>2</sup>

**The second is the dangerous impact of our economic model on the environment.** The most acute aspect of this is the climate emergency, which will require us to transform our economy and drastically reduce carbon emissions within the next decade. Lurking not far behind are the unprecedented loss of biodiversity and the overuse of resources, which will need urgent, concurrent action.

**The third is a democratic crisis, fuelled by a growing sense of powerlessness and lack of control** in communities that have lost faith in a system that has failed them. It is a crisis shaped by inequality not just between households, but also between our regions and nations. With power still hugely concentrated in Westminster and Whitehall, and local authorities weakened by cuts, many parts of the country have been left paddleless in economic rapids. This has inflamed a growing sense of anger and disaffection with political institutions that seem incapable of delivering the change that people want.

A different economy that works for people and planet – dreamed of almost 40 years ago by the New Economics Foundation's founders – has never been needed more urgently. Yet change will not happen by accident or economic evolution; it will be driven by people fighting to change the rules that govern the way our economy works. The good news is that groups of people are taking matters into their own hands, building change in the places where they live and work, and fashioning a new economy in practice. But their efforts alone will not be enough to secure the scale of change we need. It must come alongside change from the top.

In this short prospectus, NEF argues that economic policy over the next decade must be shaped by three missions that seek to change the rules of our economy:

## 1. A NEW SOCIAL SETTLEMENT

**A new social settlement will ensure people are paid well, have more time off to spend with their families, have access to affordable housing, know there is a decent safety net if they need one, and are provided with a high level of care throughout their lives.**

## 2. A GREEN NEW DEAL

**The Green New Deal is a plan is for government-led investment to reduce the carbon we emit and massively boost nature, while creating good, unionised jobs.** These jobs should be targeted in parts of the UK that have most lost out over the past 40 years. A decade ago, NEF was part of the visionary group that proposed a Green New Deal and we are now part of a growing movement reviving this concept.

## 3. THE DEMOCRATIC ECONOMY

**Too often, the economy can look like a stitch-up between large, distant institutions and large, distant corporations.** And too often this is the

reality. People have been left out of the decisions that shape the places where they live, and they have been left voiceless in the places where they work. **We need to devolve state power and transform ownership of the economy.**

Underpinning all three missions is an acknowledgement that the rules and institutions that shape our economy are not forces of nature beyond our control, but have been designed by people. Over the past 40 years, they have been redesigned in favour of the market rather than people and planet. In little more than a decade, we must redesign them again.

Some have proposed reviving the social democratic agenda of the post-war era, but this would not be enough. For one thing, that period's emphasis on central authority and state ownership does not fit with the widespread demand for more local power and control across the country. A new social settlement and a Green New Deal will not succeed without a more active, decentralised state, new models of democratic ownership, greater cooperation and collaboration, and policy made with the explicit involvement of those who it affects.

We enter the 2020s with a political consensus that the economy is not working, and with all major political parties in the UK in search of a new economic agenda. Crisis is upon us, but, as we are reminded each day, the solutions exist and people are already putting them into practice on the ground. The duty of today's policymakers is to listen and be brave enough to respond.



**Miatta Fahnbulleh**  
CEO,  
New Economics  
Foundation

# 1. A NEW SOCIAL SETTLEMENT

**D**ecades of privatisation and liberalisation have relegated the social realm to the market. The era of austerity has pushed the post-war social settlement to breaking point. Only the NHS is left largely intact, but it is barely managing to take the strain of broken public services, poor quality, insecure and low-paid work, and a deeply flawed welfare system. All of these trends must be reversed, through the development and funding of a new social settlement.

Central to this endeavour is a core of policies to improve living standards, promote wellbeing and ensure that everyone has the basics for a decent quality of life. There are two key elements: first, a new deal for workers that boosts incomes, re-establishes collective bargaining in the workplace and rewards workers with more leisure time as the economy improves; and second, a new wellbeing state that guarantees and promotes a good quality of life for everyone within the ecological boundaries of the planet. The precursor to both is a bold new approach to fiscal policy.

## 1. A NEW DEAL FOR WORKERS

Average real wages have stagnated in the decade since the finance crisis, but this masks an even more acute story of chronically low wages and insecure work for many. NEF's research for the Living

Wage Foundation has found that 5 million people in the UK are existing on very low wages and experiencing work insecurity.<sup>3</sup>

Low levels of pay and high levels of insecurity have costs beyond the economic realm and are linked to poor mental and physical health.<sup>4</sup> Low pay also leads to high levels of household debt; there are currently around 8 million people in the UK who struggle to keep up with monthly debt repayments, which in turn stifles aggregate demand in the economy.

And while productivity and wage increases have stalled since the financial crisis, gains made by workers throughout history in terms of time spent at work have been broadly static since around 1980. If the pre-1980 trend had been maintained, not only would the average working week now be around 33 hours instead of 37, but the **UK would be on course for a four-day-week within the next two decades**. Research from NEF recommends reducing working time while boosting minimum pay levels, illustrating how it could have a beneficial effect on aggregate demand as well as rewarding workers with more leisure time.<sup>5</sup>

Conversely, paying higher wages for less time at work and reducing insecurity not only has a multiplier effect across the foundations of the economy – people on lower pay are likely to spend most of their income to meet basic needs – but it will also, over time, relieve pressure on public services as society's wellbeing improves.

## BOOST TRADE UNION POWER

Undoubtedly one of the key underlying reasons for declining living standards and stalling progress towards more leisure time for most people has been the weakening of the role of trade unions in industrial power relations.

While government can and should legislate and regulate to increase minimum wages and shorten the average working week, it **must also restore and extend the powers of trade unions, ensuring that most workers in the UK benefit from union membership and collective bargaining rights**. Only through this route can we embed a future in which there is sustained progress in improving living standards and reducing inequality.

- Existing processes by which unions gain recognition in firms should be shortened and simplified: **all employers of over 50 workers, agency staff or employees across one or more multiple sites should be legally required to recognise at least one union**, and smaller workplaces would be able to gain recognition under a shorter, simplified process.
- Where there is no existing union recognition agreement in place, **the new measures should oblige firms to allow elected representatives from the workforce to lead the process of determining representation**, which could include the formation of new unions and new divisions with existing unions as long as they offered the same level of representation and protection, independent from employers.
- To ensure all workers are able to participate, **new legislation should require all employers to afford the equivalent of one hour per week per employee to be spent on democratic**

**activities at work** such as attending board meetings, holding union meetings and attending negotiations.

- Legislation must also **reinstate the right to strike, ensuring all workers can take legitimate industrial action**. This would involve fully repealing existing anti-strike laws to ensure that a positive right to take industrial action over any issue which a workforce sees fit is enabled. This should include equity for outsourced workers meaning that they can negotiate directly with and, if necessary, take legitimate industrial action against their de-facto employer.
- Legislation is also needed so employees have access to necessary information and the freedom to engage each other. **Employers must share appropriate and accessible information pertaining to salaries and organisational finances, offer personal access to performance data, and provide reasonable means for employees to meet together without surveillance**. This requirement should be met through the provision of physical spaces, eg a staff room or on-site meeting room, and/or digitally, ensuring that organisational intranet or other online communication tools enable direct communication between workers.

## GUARANTEE A REAL LIVING WAGE

There are more than 6 million jobs in the UK that currently pay less than the real living wage of £9 per hour (£10.55 in London)<sup>6</sup> and almost 440,000 people who receive less than the current statutory minimum wage of £8.21 for over-25s.<sup>7</sup>

- From 2020, we propose that the **Low Pay Commission is given a new mandate to recommend increasing the National Living Wage**

to the average of the actual living wages for London and the rest of the country (respectively) by 2025; or increase all minimum wages as fast as possible subject to not having adverse unemployment affects; whichever proves to be higher.

## BOOST PRODUCTIVITY AND LEISURE TIME THROUGH A SHORTER WORKING WEEK

Up until around 1980, increases in productivity were accompanied by decreases in average hours worked per week, but these gains in leisure time for workers have since stalled, as has productivity.

- To boost both, NEF proposes **establishing a Working Time Commission to recommend a range of measures targeted at achieving an average working week** (including holiday) that is as close to 30 hours as possible by 2030.
- Similar to the Low Pay Commission, the new body would recommend **annual increases in paid statutory leave that are as large as possible, subject to not increasing unemployment**. This would continue until the government believed that the scope for a demand-side response to the UK's productivity puzzle had been exhausted.<sup>8</sup>
- Afterwards, the Working Time Commission would be **given a new 'normal times' mandate to recommend steadier increases in statutory leave** to remunerate workers in the form of paid time off consistent with sustainable, long-term increases in productivity.
- At the same time, government could also use the opportunity afforded by higher paid leave to **announce new bank holidays spread evenly**

throughout the year, helping to bring the UK more closely in line with the rest of Europe.

## MAKE WORK SECURE, INCLUDING FOR THE SELF-EMPLOYED

High relative levels of employment mask the increasing numbers of people in insecure work and a growing number in self-employment. While many may choose this way of working, these trends are being driven by the employment practices of businesses, for whom a flexible, casual workforce is a lower cost workforce.

- NEF's proposals aimed at boosting collective bargaining and the power of unions are critical to mitigate insecurity and to ensure that self-employment is genuine and not a means of reducing costs and risks for certain types of employers. In particular, **there should be a parity of bargaining rights for self-employed workers, and between in- and outsourced workers**.
- Given that women are overrepresented in some forms of low paid, insecure work,<sup>9</sup> it is important from a gender equality perspective, as well as for all precarious workers, to ensure that statutory reductions in working time are extended to all UK workers. **The Working Time Commission must examine and make recommendations for how those in insecure work – and especially women – can benefit from the measures they recommend.**
- To help secure self-employment and break down the social and economic isolation felt by many self-employed people, especially women,<sup>10</sup> **NEF proposes the provision of 'self-employment centres' across the country, in which people could gather, seek advice, work and access services such as drop-in crèches.**

## 2. THE WELLBEING STATE

Market ideology and austerity have undermined the role of the state, which is unique in pooling costs and risks across society. Core to a new social settlement is the creation of a 'wellbeing state', which provides basic income protections, ensures everyone has access to important, public services, and actively intervenes in markets for foundational goods and services that, left unregulated, have negative social consequences.

### A NEW FISCAL SETTLEMENT

A comprehensive new social settlement will rely on a complete revision of the way government spends and borrows. The current fiscal rules, written to reinforce austerity and target reductions in deficit and debt, are entirely unsuited to an age in which our major challenges will require more government action.

- NEF therefore proposes that the Treasury should **develop a framework for measuring and forecasting fiscal space, which we define as the scope for further public borrowing before the amount of overall public debt risks harming the economy and society**.<sup>11</sup>
- This framework would include **a new method for conducting a form of cost-benefit analysis of how much fiscal space to use at a given point in time**. Such a tool would allow policymakers to accurately assess the implications of holding back fiscal space compared with the implications of borrowing for investment, and therefore allow politicians to come to an informed view on the best combination of fiscal intervention or fiscal prudence at a given point in time, including with respect to climate-related risks.

- Alongside redefining fiscal rules, the Treasury must **shift towards a model of 'wellbeing' budgeting that seeks to allocate resources to deliver a set of desirable economic, social and environmental outcomes that cuts across departmental silos**.

### AN UNCONDITIONAL WELFARE SYSTEM FOR ALL

The introduction of Universal Credit has been disastrous. Not only is it more than half-a-decade late and eye-wateringly over budget, it is peppered with errors that have forced households into debt, caused all manner of personal tragedy and introduced more stigma for social security claimants. It has also been designed and developed against a background of steep cuts in social security.

In the context of the ecological crisis, but also because of the increasing pace of technological change and the expected automation of many areas of work in the future, a secure, generous and unconditional social security system is now needed. This will require changes across the tax benefit system, but immediate improvements can be made which will move us towards a proper system of income protection.

### A Weekly National Allowance for all but the wealthiest

- NEF proposes replacing the inequitable personal allowance of income tax with a weekly payment equal to the value of tax that would otherwise be paid on the full £12,500 of personal allowance. For 2019/20, this payment would be worth £48.08 per week in England, Wales and Northern Ireland, or £2,500 per year. In Scotland, the 19% income tax band introduced in 2018/19 means that the cash payment would be set at £45.68, worth £2,375.15 per year.<sup>12</sup>

- Eligibility for the payment would be **extended to everyone over the age of 18 with a UK national insurance number**. New payments would be tax free, but they would also score in the testing of other means-tested benefits.
- **Child benefit should be restored to its real terms 2010/11 value** (in other words reverse the effect of freezes to child benefit since 2010) and combined with the new cash payment above to complete the Weekly National Allowance (WNA).
- A **small, nominal, tax-free allowance (around £300-£500 annually) would be retained across all forms of income** – whether from work, savings or dividends – to reduce administrative burden, paid for out of the removal of the existing savings allowance, zero rate savings tax band and dividend allowance.
- WNA payments would be **administered almost entirely through existing systems** such as PAYE, Universal Credit, Child Benefit and the State Pension.

### Replace Universal Credit with minimum income protection

The WNA would be revenue neutral, paid for by scrapping the inequitable personal allowance of income tax. As it would be means tested against the Universal Credit system, it would also reduce the cost of UC by around £15-20 billion per year, making a new system of genuine income protection much more affordable. In addition we propose the following reforms to UC:

- Introduce a range of work-supporting measures into the current system that would **boost the amount people receive when they move into work**, such as extending work allowances. One of the most important changes to boost in-work receipts would be to reduce

the taper rate. Currently claimants lose 63p for every £1 they earn in work. To help ensure that effective marginal tax rates are no higher after introducing the Weekly National Allowance, NEF proposes reducing the taper rate so that for every additional £1 earned, claimants would lose 53p or less in welfare payments.

- **Remove the two-child cap on child payments** and, until providers are directly funded (see below), **increase childcare payments to 100% of costs**.

In the long run, and assuming the government is using much of its fiscal space for Green New Deal investment, the costs of social security investment should be matched by increases in progressive taxation. In appendix 1 we set out a number of options for raising UK tax in a way that sees richer households contributing proportionately more than poorer households and that aligns wealth taxes with taxes on income. In total, the taxes identified could raise up to £60 billion in 2022/23 terms, and so we propose a combination of these tax reforms are made within the next three years to raise the required funds to start transforming UC.

### UNIVERSAL BASIC SERVICES

Cuts to government spending have not only cost the economy some £100 billion in terms of lost gross income,<sup>13</sup> they have also weakened the social infrastructure that communities rely on and pulled the social safety net from under people. Repairing the damage will require a radical new approach.

We need a new settlement for public services to ensure everyone has the basics they need for a decent quality of life. The ambition should be to improve the quality and reach of existing universal services such as healthcare and education, and to extend

this principle into areas such as social care, childcare and public transport that are critical to improving people's wellbeing and where there is a strong case for collective provision.

Universal Basic Services (UBS) must come hand in glove with a watertight income protection system, as outlined above, that provides a minimum income floor below which no one can fall. The basket of services within UBS represent a 'social wage', providing essentials that people would otherwise have to pay for. They are part of our 'social infrastructure' and should be treated as an investment that yields social, environmental and economic benefits. This approach is closely aligned with the UN's Sustainable Development Goals, to which the UK is already committed, and is a crucial strategy for realising them.

- Total spending on public services in the UK is around one percentage point below the average for the rest of the EU. As a first step towards UBS, **the net annual resources going into collectivised service provision should be expanded to align the UK with this average – by one percentage point of GDP within three years, or approximately £24 billion in 2022/23 terms**. This is in addition to the commitments made by the Chancellor at the last spending round, which only reversed around one-third of the cuts inflicted during a decade of austerity.
- Around half of this should be used to **close the funding gap in social care compared with 2009/10 levels** and to **pay for the introduction of free personal care in England** along the lines of the current Scottish model. The remaining amount should be used to **expand free and subsidised service provision by prioritising three areas: childcare, local transport and**

**technical training and qualifications relevant to the delivery of a Green New Deal**, such as the skills required to install domestic heat pumps.

- Some level of public borrowing may be appropriate to fund the expansion of public services, especially in the short term. However, in the long run, we would propose that **increased spending on services is matched by increases progressive taxation**, such as a combination of some of the reforms set out in appendix 1.

### FIX PUBLIC SERVICE PROVISION

Fixing and extending public services requires more than a new funding settlement. The provision or 'supply side' of public services is broken and fragmented, and needs repair. Two examples that require urgent attention, because of their importance in terms of the future of the UK economy and their potential to save money over the long term, are adult social care and childcare.

#### Adult social care

The UK's social care system is broken in terms of how services are both procured and provided. In addition to extending free personal care to all over-65s and ultimately identifying additional sources of revenue to fund adult social care, the fragmented and increasingly internationally-owned supply side must also be firmly realigned to support a clear social mission.

- **The Care Act must be strengthened so that local authorities have a duty to promote forms of democratic ownership of social care provision** that can deliver the highest levels of social value, with better deals for care receivers and workers. In practice, this would mean that local authorities would direct a substantial and growing share of social care funding each year to public



FRIENDLY FAMILIES COMMUNITY NURSERY

## PARENT-LED CHILDCARE IN LONDON

Aysan Alba's son Ezekiel was five months old when she attended an open day about parent-led nurseries near her home in Deptford. She remembers the date, because her son had just started sitting, and she was already worrying about going back to her job as a teacher and leaving him in the care of someone else.

NEF has been building a network of parent-led nurseries in London, inspired by a nursery called Grasshoppers in Hackney. Alba met NEF staff at the meeting and since has been working with a group of local parents to bring an empty Deptford building back to use as a nursery in their local area. The group started small, with stay and play sessions, community meals and other gatherings where the parents got to

know one another and to discuss what a good nursery would look like to them.

Soon, the Friendly Families Nursery for children aged two and above will open on Deptford's Vanguard Estate, the group's chosen location. The parents have the option to volunteer with their children in the nursery, reducing the cost of childcare and enriching the experience for everyone involved.

"I have worked in some amazing nurseries and some terrible nurseries, you just don't know," Alba says. "With a parent-led nursery you get more of an input. If done really well it could work not just for working parents like me, who want to take an interest in their child's education, but other parents as well."

sector, co-operative and community-based providers, through long-term, public-social partnerships.

- **Create a 'right to own', giving workers first refusal to buy out care providers at the point of business transition.** Both through new Care Act obligations and via a new Cooperative Development Agency, smaller care providers would be encouraged and supported to make the transition to co-operative ways of working. A higher premium would be placed on the structural alignment in firms of the interests of workers, users and commissioners to enable the co-operative, mutual and social enterprise sector to play a much greater role in the provision of social care.
- **Claw back the role of chain companies by buying out, or giving local authorities new powers to buy out, providers that are failing or are providing poor quality care.** All the 'big four' providers of residential care were up for sale between April to July 2018. As recently as April 2019, Four Seasons Health Care Group went into administration and was put up for sale by its creditors; opportunities to repatriate state capital and repurpose chains – for instance by breaking them up into local, multi-stakeholder coops – cannot in the future be missed.
- **funded directly to deliver free or affordable childcare with a fee cap,** which will necessarily require a higher level of government funding. Investment in childcare is key as an effective mechanism to address social inequality, improve life chances, prevent future harm and increase opportunities for parents and carers (particularly women) to take or maintain employment; it will pay for itself over the medium to long term.
- **Direct funding at a higher level should be provided on the condition that providers meet a level of service and model of operation and governance set out in a 'childcare charter'.** This would include measures to support more democracy and transparency, with parents and childcare workers serving on elected boards and all staff being paid the real living wage. This will increase local engagement and help reduce the risk that future policymakers might withdraw funding or reopen services to the market.
- **The sale of public nurseries on the open market would be frozen and, as with firms providing adult social care, staff and parents involved in businesses in transition or for sale would have a right to buy,** with incentives and support offered by the Cooperative Development Agency to transform providers into multi-stakeholder cooperatives. This could include the underlying assets remaining state owned to reduce the risk of their future leveraging or further marketisation.

### Childcare

Like social care, childcare is not only underfunded but provision is broken. In recent years large and increasingly international chains have moved into the sector while many state childcare and Sure Start centres have been closed, sold off or privatised. Social assets are being turned into financial assets.

- As a first step, **providers should be**

### SOLVE THE HOUSING AFFORDABILITY CRISIS

Housing is fundamental to people's quality of life and economic security; affordable housing can offer people a stable platform from which to participate in employment

and social and democratic life. Millions are on housing waiting lists, lack the security needed to make roots in an area, or are paying a high proportion of their income to rent poor quality homes. Housing is not only broken for the millions whose lives are limited by the housing crisis, but also costly to the wider economy.

Over the past four decades, driven by the right-to-buy and the cutting of investment in housing supply, the stock of affordable housing built up through the middle part of the 20th century has been eroded and not replaced. In the meantime, land and housing have become largely speculative assets, replacing pensions, and driving up house prices and private rents.

More than one million people are now on English council housing waiting lists. Shelter's recent Commission on the Future of Social Housing set out the need for a 'historic renewal of social housing' with 3.1 million new social homes required over the next 20 years at an estimated gross cost of £10 billion per year.<sup>14</sup>

### Build affordable homes

Housing policy is devolved, but in England the Westminster government has never achieved its annual target of 300,000 new homes per year, with 222,190 homes being added to the housing stock in 2017/18.<sup>15</sup> Though low, the proportion of these that are classed as affordable has been on the rise in recent years. However, this mainly reflects a gradual loosening of what qualifies as affordable; in 2017/18, only 6,463 socially rented homes were completed in England.<sup>16</sup>

- The reliance on small handouts from private developers through the deeply flawed section 106 planning process must be replaced by a **major new programme of grant-funded social rented housing – 150,000 a year – to**

**fit the specific needs of towns and cities, built by either local authorities or housing associations.** This will require around £10 billion of public investment per year, but will not only provide a reliable revenue stream, save expenditure on housing benefit and produce a net asset over time, but also boost a weakening construction sector and provide stimulus to the wider economy.

### Use public land for public-social housing, and develop the land pipeline needed to deliver social housing at the scale required

Government has been pursuing an austerity policy of selling public land to developers to plug gaps in state and agency current accounts. But not only is this process woefully off-target, just 6% of homes built on public land has been for social rent.<sup>17</sup>

- This fire sale of public land should stop. In its place, **the government should seek to directly develop surplus public land for socially rented and other genuinely affordable homes using an in-house development team within a new Public Land and Housing Corporation (see below).** In addition, as with many of our proposals, government should seek to forge new public-social partnerships over housing in which a long lease is sold to a registered social landlord, with the freehold retained by the government. Surplus public land has capacity for 200-250,000 homes over 5-10 years, we estimate.
- Assembling and developing the land needed – public and private – to meet social housing need should be a task of a new agency. NEF recommends the **creation of a Public Land and Housing Corporation within Homes England, with regional offices. This**



DRUIDS HEATH AND MONYHULL FORUM

## SAVE DRUIDS HEATH, BIRMINGHAM

Druids Heath is one of the most deprived areas in Birmingham. It has suffered, in the words of its residents "deliberate decline" due to decades of under investment regionally and nationally. But it is home to a strong and diverse community which provides essential support networks, friendships and stability to any resident who needs it.

Over the next ten years this will be threatened. The council estate was built in the 1960s and is in need of repair and renovation. What is being offered to local people by Birmingham City Council is regeneration: 11 towers of 50 homes each will be demolished, replaced with a mix of private and social housing. Residents say hundreds of units of social housing will be lost.

NEF organisers have been working with the residents' group opposing

the council's regeneration since autumn 2018. The group want their own community-led regeneration which allows them to stay in the area, have sustainable housing built for their needs, doesn't result in gentrification, pushing up living costs, and increases rather than reduces the number of social homes.

NEF has provided mentoring to group leaders, training in community organising techniques and supported the recruitment of new group members. We have assisted the group with planning and carrying out negotiations, building a strategy and organising to build support across the estate. Residents have so far won the right to return to equal or better properties after the regeneration is complete, and are continuing to fight to lead the regeneration process themselves.

## A MANIFESTO FOR PRIVATE RENTERS

Almost one-in-five people in the UK rent their home from a private landlord. But all too often this works better for the landlords than the renters, with many spending around half their monthly income on rents, suffering poor conditions and insecure tenancies. Evictions from privately rented accommodation are the leading cause of homelessness. But people in private rented homes are fighting back. And they're doing so by getting together in renters' unions.

NEF has been working with a group of renters' unions and other organisations representing tenants to develop a National Renters' Manifesto. This covers six themes – security, affordability, justice, conditions, discrimination, and

housing for people not profit – which were chosen and have been developed by renters themselves. It is an example of movement-led policy making, with NEF helping out.

The manifesto is a clarion call for changes in policies to transform renting. It covers areas such as the urgent need for rent controls and for rented homes to meet more stringent energy efficiency levels to reduce the bills faced by tenants and help answer the climate emergency. It also calls for an end to Section 21 'no-fault' evictions and public investment in a massive national council and community-led housebuilding programme.

**National Renters' Manifesto:**  
[bit.ly/renters-manifesto](https://bit.ly/renters-manifesto)

would combine surplus public land with additional private land bought at fair values, close to existing use value, for social house building.

- The Public Land and Housing Corporation would **directly develop large-scale developments and lease land to housing associations and community land trusts to deliver social housing.** Its powers, across land acquisition, planning and development, would be akin to the New Town Development Corporations which built significant proportions of new housing in 20th century.
- The Public Land and Housing Corporation would **create development partnerships with regional authorities that would have comparable compulsory purchase and land assembly powers** to develop

social housing on large sites and urban extensions.

- As NEF has shown in two reports focussed on the sale of NHS land, very few homes built on this land are affordable to nurses and ancillary staff working in the NHS. **The government should lead the way with the NHS by creating an 'NHS land community-lock' where any land asset sold by the NHS through choice, necessity or obligation can only be used for community benefit.**<sup>18</sup>

### Regulate the private rented sector

Private renting is the most unaffordable, and least secure tenure of housing, relied on by increasing numbers of families and older people. Created in 1988 in the interests of investors and landlords, the sector is urgently in need of reform.<sup>19</sup>

The inflation of rent prices is not universal and is mainly a problem related to agglomeration in larger towns and cities. As a result, **the power to control rents is something that must be devolved to regional authorities**, as Sadiq Khan, London's current Mayor, has already argued, using underlying NEF analysis.<sup>20</sup>

- A key first step is to bring proper security into the sector, **ending no-fault Section 21 evictions, and introducing lifetime and open-ended tenancies, as is the already the case in Scotland.**
- NEF has developed a blueprint which provides the route and infrastructure to make renting affordable at the regional level, including a **publicly accessible database of landlords and rents, and regional centres for the private rented sector, which would administer the system in each area.**

- Recognising that, for many, the housing crisis is one of affordability, **NEF has developed a model of rent controls fit for the 21st century that would limit rents within and between tenancies and bring rents down to levels affordable on local incomes.** At the heart of this proposal for rent controls sits the setting of a **desired rent level (DRL), which would be developed by new regional centres and to which rents on individual properties would be reduced in the first instance.** After rents had reached the DRL, a Private Rent Index would control rents.

## REDUCE THE STOCK OF HOUSEHOLD DEBT

As a consequence of chronically low levels of pay and the retrenchment of public services, levels of household debt are now

## WOMEN IN DEBT GET ORGANISED

Personal debt is not only an economic problem, but one that carries huge stigma. And it is often women in households that bear the brunt of this, forced to hide their indebtedness and the many problems this can create from their families, peers and communities.

In East London, NEF has been working with a group of women who have direct experience of household debt. From small beginnings with just one or two people, the group has grown as more and more come to share their stories about how debt has ruined their family finances, harmed relationships and led to mental and physical health problems. But the group is not just about sharing experiences.

Together – and supported by NEF's

skilled community organisers – members of the group have started to build a campaign to end the household debt trap, which has now seen them meet with local authority leaders, key people in the Financial Conduct Authority, a cross-party group of MPs and John Glen, the government's Treasury minister responsible for regulating finance. They have won promises from each to take action.

Their aim is to secure a cap on the costs of consumer credit so that no one pays more than £2 back for every £1 they borrow. But in addition to this they have developed campaigning demands for local authorities, who often use private debt collectors to recover council tax and rent arrears, and for banks and financial institutions.

running higher than they were prior to the financial crisis. As of April 2019, the stock of unsecured UK consumer debt stood at £217 billion, excluding student loans, and almost half of the poorest households are using credit cards to pay for food or deal with unplanned emergencies, with many paying back more than £2 for every £1 borrowed.<sup>21</sup>

- Extending the cap that was introduced in 2015 on payday lenders and is due for introduction in the rent-to-own market, **the Financial Conduct Authority must use its powers to bring in emergency regulation to cap interest payments and costs across the entire consumer credit market.** Borrowers must never pay more than £2 for every £1 borrowed. This will have the effect of capping the mushrooming of debts in the poorest households.
- Longer term, as a consequence of the decade of low pay, insecure work and austerity, there is a stock of consumer debts that may simply never be repaid. The government should initiate a process of consumer debt jubilee in which **long-standing household debts are retired through government purchases in the secondary debt market.**

## EXTEND BANKING SERVICES INTO PLACES DESERTED BY MAINSTREAM BANKS

Alongside a new National Investment Bank and linked regional banks, **a network of hyper-local community banks, built out of the existing credit union sector or by repurposing threatened bank branches is needed** to ensure poorer communities, from which banking services have often been withdrawn, have access to banking services, advice and can access affordable credit when needed. Community banks would lend to households and community enterprises.

- The term 'red-lining' comes from the Civil Rights struggle in the US, where banks were unwilling to establish branches in communities in which people of colour lived. In 1977, the US government introduced the Community Reinvestment Act to drive lending into these red-lined neighbourhoods. **The UK needs a Community Reinvestment Act to force large banks that leave poorer communities without services to help capitalise community development finance institutions and other community institutions.**<sup>22</sup>

# 2. A GREEN NEW DEAL

**T**he climate crisis is no longer something we are heading towards. From ferocious wildfires to melting glaciers, its effects are already here. The UK government must develop and introduce an economy-wide plan to deliver net-zero<sup>23</sup> UK emissions and boost nature everywhere with urgency.

A decade ago, NEF was part of a visionary group that proposed a Green New Deal<sup>24</sup> and we are now part of a growing global movement that is reviving and updating this concept.<sup>25</sup> The plan is for huge investment in the economic future of the UK, to combat the crises of inequality and climate change at the same time.

In this context, NEF argues that the concept of a just transition is of paramount importance. All of the actions aimed at an ecological transformation of the economy must be socially just. In this respect, we see the Green New Deal as a means of delivering the goal of a just transition and not the other way around.

## TOWARDS NET ZERO

The government has legislated to achieve net zero by 2050. Many campaigners are calling for this to be achieved much sooner. NEF supports the achievement of net zero as soon as possible but recognises (as does the Committee on Climate Change) that the UK currently lacks policy in a range of key areas, such as buildings insulation,

surface and air transport, curbing industrial emissions, and phasing out fossil fuel extraction.

So while the date of arrival at net zero remains critically important, and must be much sooner than 2050, the rate at which emissions reductions take place and the policy to achieve deep cuts is of greater importance.

For instance, based on the IPCC's assessment of the likely remaining 1.5 degree global carbon budget, the UK may have a remaining national carbon budget of around 3-3.5 GtCO<sub>2</sub><sup>26</sup> on route to achieving net zero. Even if we were to maintain annual emissions reductions of at least 10% per year from now on, that budget would be exhausted by around the mid 2030s and before the net zero target had been achieved; **the challenge is a massive ramp-up in policy and investment now.**

The UK has fallen behind with progress in a number of key areas in which a transformation of the economy is needed, most notably in home energy efficiency and heating, investments in the electricity grid, electric vehicles and public transport, industrial decarbonisation, and some renewable energy technologies.

- Government must now bring forward **a fully costed Green New Deal programme, capable of deploying and attracting a mixture of public and**

**private investment.**<sup>27</sup> The investment programme must also be focussed on how policies can help reduce inequality and create jobs.

- As an absolutely key priority for a Green New Deal, government and new regional combined authorities (see The Democratic Economy below) should **bring forward an integrated programme of home and commercial insulation, energy efficiency and renewable heating.** Insulating homes has the potential to create £3.20 of economic activity for every £1 invested, and 108,000 jobs every year between 2020 and 2030.<sup>28</sup> The cost of replacing gas boilers is likely to be offset by reduced fuel costs in the long run.<sup>29</sup>
- An investment programme would also include incentives and infrastructure for electric vehicle roll out, a speeding up of renewable energy installation, rolling out a smart electricity grid, public transport and the decarbonisation of key industries, such as steel and cement production. NEF's recent work on a Green Fiscal Stimulus examines the macroeconomic costs and benefits of government investment in such a programme.<sup>30</sup>
- Environmental regulation will be critical to steering investment across the economy towards the aims of a Green New Deal. Over the past decade, the UK Government and, under its influence, the European Commission, have pursued an approach in which any new regulation can only be approved if an existing regulation is scrapped. **This 'red tape challenge' approach to regulation is ideological and must be scrapped.** In a climate emergency – and in the context of deep inequalities – new regulations to raise standards, cut emissions and reduce poverty are essential and will almost certainly outnumber those that can be scrapped.

There are three, key underlying elements of a Green New Deal programme:

## 1. FINANCE A GREEN NEW DEAL

The state and public institutions have the decisive role to play in delivering sufficient finance to support a Green New Deal. The Committee on Climate Change argues that the UK must invest 1-2% of its GDP<sup>31</sup> to 2050, which would come from both government and private sector sources. However, this level of investment is insufficient if we are to meet net zero much sooner than 2050 in a socially just way.

**The level of public and private investment must be as high as is necessary to secure a clean economy in time. To catalyse this investment, government should commit to spending 2% of GDP as public investment in its first budget.**<sup>32</sup> But as with the rate of emissions reduction, opportunities to frontload investment should be seized to reduce future costs, hasten decarbonisation and to address the political crisis by driving investment into the places that most need it.

Her Majesty's Treasury must align its entire function and portfolio – from the rules that govern evaluation for public expenditure to its oversight of the Bank of England – with the task of achieving zero emissions and addressing wider ecological crisis.

### GREEN FISCAL POLICY

In the face of a climate emergency and other acute ecological crises, the burden of which fall heavily on the shoulders of poorer communities at home and abroad and future generations, government must use fiscal policy and not just rely on signposting private finance.

While always reserving some headroom

in case of recession, it is irresponsible for a government not to maximise the use of fiscal space; this is true both in support of a new social settlement and for a Green New Deal. Because current fiscal rules target deficit and debt reduction, the level of fiscal space that is in practice available to the government is currently underutilised, probably significantly so. As we argue above in a New Social Settlement, one of the most pressing tasks for the government is to develop a new fiscal rulebook. In addition:

- **The Treasury must rewrite its rulebook governing all government appraisal of projects and policies.** All government spending would be required to meet new green (and inequality) tests to ensure that tax, spend and investment policy supports the net zero target.
- Green New Deal fiscal policy needs to be 'recession ready' so that likely job losses and underinvestment by the private sector is compensated for. This means that **while the government should maximise investment in productive, emissions-reducing measures now, it should also plan to dial these up further if the economy appears to be showing recessionary tendencies.**<sup>33</sup> Seizing this opportunity is fundamental to achieving the rate of reductions necessary, and failing to dial up investment in a recession could derail them.<sup>34</sup>

### GREEN CENTRAL BANKING

Following recommendations by NEF and others, the Bank of England has begun work to assess and disclose the climate impact of its own balance sheet. But the activities of a central bank should go much further.

- The policies introduced to guard against systemic risk post-financial crisis should

be further adapted to take account of systemic climate risk. The Bank of England should therefore **introduce new, green macro-prudential policies, which would require private banks with a high exposure to ecological harm to hold more capital as a hedge against the risk** and to incentivise green investment.

- The Bank of England must also actively **increase the level of bank lending directed towards green and ecologically benign businesses and small and medium enterprises (SMEs)** by introducing a credit policy framework so that it can help guide credit towards productive ventures.<sup>35</sup>
- The Bank has urged financial institutions to proactively manage climate risks, but it needs to practice what it preaches and **integrate climate risk into its own monetary policy operations.**

### A NATIONAL INVESTMENT BANK

Most major economies have a national investment bank to act as a cornerstone financier of government economic strategy. Not only do such institutions help crowd in private sector finance, they also keep investment decisions at arms-length from executive decision-making.

- **A new, Green New Deal mission-orientated National Investment Bank must be established,** which could either use the government's remaining 62.3% stake in RBS as a starting point or develop a new institution, as the Scottish government is currently working on.

### A POLICY OF 'REVIEW AND REVERSE' FOR FOSSIL FUEL SUBSIDIES

Across its tax and spend portfolio, the UK has significant fossil fuel subsidies.

Estimates for the overall level of subsidy vary depending on definitions – the European Commission, for example, reported that the UK has the biggest fossil fuel subsidies in Europe, at about £10.5 billion per year.<sup>36</sup> Some of these are in the form of tax breaks on oil and gas investments, and others impact more directly on consumers, such as the 5% rate of VAT on household fuel bills.

- While the removal of all of these cannot be implemented immediately, **the Treasury should commit to a fair reversal of its full range of fossil fuel support no later than 2025, and redirect these into funding for a Green New Deal.**

## 2. A JUST TRANSITION IN PLACES

Addressing the ecological emergency can also help address the inequality crisis, especially through the lens of industrial policy. In doing so it may also ease the crisis of democracy, but only if places are empowered to find their own routes to transition.

Making the Green New Deal fair and driving its benefits into the places that most need them must be an explicit, legislative aim of a Green New Deal, to the extent that government and government-led investment must target reductions in inequality at the aggregate national, inter-regional and intra-regional levels. While this must be the case for all aspects of a Green New Deal (for instance, bringing zero-carbon public transport to places that are currently poorly served, or insulating the homes of those who most struggle to meet the costs of domestic heating), a key part of this will be ensuring that the industrial transition is just; no one and no places should be left behind.

Industrial change is a constant process; much of the technological change that is essential to combatting climate change is already underway. But left to the hidden hand of the market, this process may reward people and places that are already in a position to benefit and further harm those that are not. Government must therefore rediscover its role as manager and broker of change.

In practice, this means an explicit commitment to invest in and support regions of the country that are reliant on a high level of industrial emissions. For instance, Yorkshire and Humber and the East and West Midlands are the most carbon intensive English regions while also being the regions that have seen the least growth in gross value added (GVA) in the past decade. London, on the other hand, is the least carbon intensive region and has experienced the highest GVA growth.<sup>37</sup>

### ESTABLISH REGIONAL AUTHORITIES WITH A JUST TRANSITION DUTY

In the Democratic Economy section below, NEF proposes establishing new City and County Regional Combined Authorities to lead the process of national renewal at the local level, bringing new, democratic vigour to the space that Local Enterprise Partnerships currently fill. These combined authorities would be responsible for managing and brokering local transformation and share the same overarching Green New Deal aims and duties as central government.

- Combined authorities would **have Green New Deal duties and would be required to develop a just transition plan to meet these.** The process of developing and implementing the plan would explicitly involve affected communities, workers and their unions, firms and elected representatives.

- The Green New Deal has the potential to create hundreds of thousands of good jobs. **A further duty of combined authorities, in concert with national government, would be to develop comprehensive skills strategies that animate this promise.** As Unison argues, the UK will not meet aggressive decarbonisation rates if it treats the workforce required as an afterthought.<sup>38</sup>
- As well as embedding union representatives in the creation of regional plans, new combined authorities would be obliged to **include union recognition agreements as a condition in any state-led investments or procurement contracts.**
- As transport is such a key aspect of decarbonisation, decentralisation and regional development, **HS2, which will further entrench regional disparities, should be scrapped and the planned investment capital redistributed to new regional combined authorities** as part of a new focus on regional, integrated transport strategy.<sup>39</sup>

### DEVOLVED JUST TRANSITION FUNDS

As part of the process of managing industrial change fairly, national government would also devolve a proportion of its Green New Deal budget to new combined authorities to support their just transition plans. **Of the 2% of GDP for a Green New Deal that the government should commit in its first budget, one-quarter (which would be around £10 billion in 2019/20 terms) should be devolved to regional authorities in the first year, rising to half in year three.**

- As well as supporting regional capital investment via just transition plans, these funds would include **resources**

**for the reskilling of workers and paid time off to retrain, for education and to take part in the just transition process.** This idea is based on the German 'short-time work compensation schemes' where employers are supported with public funds to avoid unnecessary redundancies by temporarily reducing working hours to meet reduced output requirements, with wages maintained.

- Central government must also **disaggregate the national carbon budget to regions**, which in the first instance would afford more emissions space to places that are currently dependent on higher carbon emissions. All regions would be obliged to reduce emissions in accordance with the national trajectory, but would have autonomy over how they achieved this, within the wider aims of the Green New Deal.

### NEW DEALS FOR COASTAL AND RURAL COMMUNITIES

As localities with very specific opportunities and challenges, government and regional combined authorities should treat the coast and the farmed environment as unique cases in its Green New Deal approach.

- There should be a cross-cutting, locally-led **coastal industrial strategy – a Blue New Deal – and targeted public investment** to build the capabilities of places, people and communities on the coast.<sup>40</sup>
- Healthier and more productive coastal and marine ecosystems should go hand-in-hand with an end to the privatisation of fishing. With post-Brexit fishing quotas, **a much greater share of the right to fish must be given to small scale and low-impact fishers**, and to support the vibrancy of the UK's coastal economies.<sup>41</sup>



## EASTBOURNE FISHERS SECURE THEIR HARBOUR

Graham Doswell is a third-generation fisherman from Eastbourne. In 2013, the fishers were told to move their fishing gear off the land in Eastbourne where they had been fishing for 25 years. When they asked why, they learned that the area was slated for redevelopment. “We had a meeting and decided to try and fight,” says Doswell.

The 72 fishermen who comprise the fleet of Eastbourne formed a Community Interest Company in 2013 to launch a rival bid to purchase the quay. With support from the New Economics Foundation, and after a long battle, the fishermen have secured the right to stay on the harbour and funding to build new infrastructure.

They won £1 million in October 2017 from the European Maritime Fisheries

Fund, which runs until 2020, to build a fish processing unit on the quayside. The processing unit will give the fishermen the space and the kit to harvest their own fish, rather than relying on wholesalers, which should boost their income. In time, the fishermen hope to establish better links with their community and local markets.

In the coming years, UK fishing communities will only thrive if smaller and lower-impact boats are given a greater share of national fishing quota. As small boats are more likely to fish sustainably, and the incomes earned by local fishers more likely to be spent in the immediate economy, it is essential that fisheries policy and economic development favours fishers such as those in Eastbourne.

- A locally-led **industrial strategy for rural communities** is also needed to ensure that the process of change – including whatever happens to farm subsidy regimes – is managed fairly as part of a Green New Deal.

### SCRAP HEATHROW EXPANSION

Expanding Heathrow means the airport will become the biggest source of carbon emissions in the country. Yet the benefits of aviation are very inequitably distributed, with just 15% of the UK population taking 70% of all flights.<sup>42</sup>

- Parliament must be given an opportunity to **reassess Heathrow expansion in light of net zero targets, the CCC’s recent letter to the Transport Secretary and new evidence on its economic and carbon impact. It should be scrapped.**<sup>43</sup>
- As well as rejecting expansion plans, **NEF calls on the government to scrap air passenger duty and implement a Frequent Flyer Levy, in which everyone has a right to one, tax-free return flight per year, but charges rise steeply thereafter.**<sup>44</sup>

## 3. RESTORE NATURE

The UK already has legally binding climate change obligations, but these must be extended to cover a range of ecological boundaries. This is not only important because of human impact on ecosystems now, including the loss of species, but also because the battle to reduce carbon emissions must not be won at the expense of biodiversity or resources.

### BOOST NATURE’S ROLE IN THE BATTLE AGAINST CLIMATE CHANGE

The Committee on Climate Change argues that the UK needs to plant up to 3 billion more trees to achieve net zero by 2050. If we are to achieve net zero sooner, then tree planting must begin immediately. In addition, new measures are needed to protect peat bogs and to expand saltmarshes, seagrasses, kelp and shellfish beds, which are all also very efficient ecosystems in the carbon storage cycle.

- While central government would be responsible for ensuring that the pace and extent of tree, coastal and marine planting is sufficient to meet the Green New Deal’s overall target, **the effort to identify land and coastal areas to create new forests and important ecological zones should also be located as a duty within the new combined authorities.** This would best be established as part of their regional industrial strategies to ensure that opportunities to create new jobs and to involve communities, unions and other stakeholders were built into the reforestation effort.
- UK peat bogs are of international importance, comprising of up to 15% of Europe’s peatland and 13% of the world’s blanket bog.<sup>45</sup> They are the UK’s biggest carbon store, help reduce flooding and purify drinking water. Yet the degraded condition of the UK’s peatland means it emits 23.3 million tonnes of greenhouse gases into the atmosphere every year.<sup>46</sup> **To help both climate mitigation and adaptation, the government should undertake an ambitious programme of habitat restoration and outlaw the practice of burning grouse moors.**

- The ten largest UK grouse moors also receive around £3 million in annual agricultural subsidies.<sup>47</sup> As the subsidy regime changes post-Brexit, **all support for grouse moors should be withdrawn and the money used to restore upland habitats, bringing as much land as possible into public or community ownership for its long-term protection.**

## A POWERFUL NEW ECOLOGICAL WATCHDOG

- The government must **create a new Ecological Boundaries Commission, a powerful new ecological watchdog combining the technical capabilities of the Committee on Climate Change with the influence of the Office for Budget Responsibility.** The Ecological Boundaries Commission would calculate and make recommendations for targets and budgets across a wide range of natural cycles and resources and would report to Parliament on progress so MPs could hold the executive to account.

# 3. THE DEMOCRATIC ECONOMY

If the volatile state of politics tells us nothing else, it is that people are unhappy with and deeply suspicious of elite power. Too often the economy can look like a stitch-up between large, distant institutions and large, distant corporations. It looks like this because too often it is. Citizens have been cut out of the decisions that shape the places in which they live, and they have been left voiceless and atomised in the places where they work.

In response we need to devolve state power to the places where people live – including new city and county regional authorities. And we need to transform ownership so we all have a stake in what we produce and the places where we work. From worker co-operatives to community energy, emerging models of ownership show how we can devolve economic power.

## 1. AN ACTIVE, DECENTRALISED STATE

The most striking and unfortunate feature of the UK economy is inequality, both between households and between regions and nations. The UK is also one of the most centralised economies in the industrialised world, with low levels of economic democracy, which is in turn linked to inequality and poverty.<sup>48</sup>

Two very key observations flow from this. The first is that the state is failing in its role as the redistributor of wealth, directly in

terms of fiscal policy and indirectly in terms of how legislation and regulation mediate economic power. The second is that a highly centralised state is an imperfect structure for dealing with inequality within and between regions.

## A NEW DEVOLUTION SETTLEMENT

We need to rethink municipal democracy for the 21st century. While guided by clear national missions and deadlines, economic strategy should be localised, focussed on local assets, built around genuine social dialogue – involving trade unions and community organisations as well as firms – and able to iterate as plans unfold; a process as much as an end in itself.

- Local government and devolution plans in the UK have evolved without any real commitment to decentralising Whitehall's power or empowering people at neighbourhood level. They require a rethink. **As a first step to improving English democracy, NEF proposes that new regional combined authorities are created from city region and county councils.**
- **These new authorities would be a vehicle for fiscal devolution,** retaining a share of business rates and of possible future levies, such as land value tax. Because of deep structural inequalities between postcodes, wards and councils, some form of redistribution of asset-based taxation would still be required,

but pooling at the regional level could be part of this settlement.

- As part of the agenda to increase the progressivity of property taxation, as well as local control over council funding, **we propose that council tax and business rates are abolished. Instead, all commercial and residential dwellings should be regularly revalued and property and land should be separated out and taxed under separate schedules.** We also propose that all property and land taxes are levied and collected from the owner, rather than the present occupier.
- New authorities would also be **legally obliged to create economic strategies, including local Green New Deals, working with newly established Local Economic Partnerships, which would replace the current Local**

### **Enterprise Partnerships.**

- These new Local Economic Partnerships would be **made up of representatives from across the SME sector, community sector, professionalised voluntary sector, local further and higher education institutions, health sector, unions, and the large business sector.** New LEPs would be mandated explicitly to work with the new authorities to drive forward inclusive, environmental and democratic economic development. In this way, industrial and even wider economic strategy would spill up to the national level rather than trickle down to the local.
- Alongside fiscal devolution, and in keeping with new national priorities and goals around wellbeing, **combined regional authorities would be required to set wellbeing budgets,**

that would mark a departure from the local growth deals approach and the obsession at the city and local authority level with GVA increases.

- The corollary of this approach is that a process of bottom-up empowerment begins simultaneously. **In return for devolved funding and powers, regional authorities must commit to working with ‘anchor institutions’, such as health trusts and housing associations, to pool investment and use their commissioning and procurement power to support the creation of local jobs, boost their supply chains and change patterns of ownership in their local economy.** This form of community wealth building would be locked into the statute of combined authorities so that it is a default approach in economic strategies.

design economic plans. We have learned there is no single solution to the challenge of engaging people in policymaking, and have set out several approaches in this document. Through their obligation to consult, government and agencies are already urged in official guidance to consider consultation as an ‘ongoing process’ rather than just being about official documents and responses.<sup>50</sup> But the obligation of public authorities must go further.

- The Scottish Government is developing a participation framework for policy-making, following a process of deliberation on ‘open government’ in which improving participation emerged as the highest priority.<sup>51</sup> The Westminster government should **launch an independent commission on people’s participation, led by people with lived experience of the impact of key areas of policy making.** It should look at all levels of government and state institutions, spend no more than one year working to develop a new, national framework for the role of people in policymaking, and then support legislation.

## **A NEW ECONOMY FOR GRIMSBY**

In the face of huge economic pressure, Grimsby has in recent years been the site of various innovative approaches to community economic development, of which NEF has been a leading champion. While the council is bringing new investment into the town, the voluntary, community and social enterprise (VCSE) sector is also looking to participate more fully in the economy and lock more of the value created into the town’s communities that most need it.

NEF has been working in Grimsby for several years on programmes by Power to Change, the Department for Digital, Culture, Media and Sport and National Lottery Community Fund. As a result, we have developed strong working relationships with local stakeholders,

including members of the local VCSE Alliance and key local council officers, each of whom want to connect their economic agenda with community-led work in a more strategic way.

As a consequence, NEF is now in the process of developing a strategic partnership across Grimsby, drawing together the multiple strands of social and economic investment in the town. Our approach is to strengthen the leadership and influencing capacity of the communities and their VCSE representatives currently furthest from existing economic strategy. This work involves building the knowledge and confidence of the VCSE sector and helping it secure an active and meaningful role within local economic decision-making.

## **2. PEOPLE-LED POLICYMAKING**

English regional devolution is only a first step. Closing the democratic deficit requires the empowerment of people to play an active part in policymaking at all levels; a bottom-up push for power as it is simultaneously pushed down from Whitehall and Westminster. Already policymakers are starting to experiment with different ways of ensuring policy is made with the involvement of groups of citizens, either focussing on those likely to be most affected or on representative ‘mini publics’.<sup>49</sup>

### **A RIGHT TO ENGAGE IN POLICYMAKING**

NEF has significant experience of working with groups of people to organise around specific issues of concern, co-produce solutions or come together to define and

## **3. PUBLIC-SOCIAL PARTNERSHIPS**

As we have proposed in the context of the provision of Universal Basic Services (UBS), a new arrangement that locks assets into communities is needed in the parts of the economy that provide critical social wealth. At the moment, the trend is heading in the opposite direction, with large international firms engaged in providing public services, often using the assets to leverage wealth out and into offshore tax havens.

## STATE AND COMMUNITIES AS THE DEFAULT OWNERS OF SOCIAL ASSETS

Failed outsourcers like Carillion, Interserve and Four Seasons have brought services to the brink of collapse, with public authorities always required and usually legally obliged to step in when things go wrong.

Risk must be taken out of the provision of important services, and social wealth rebuilt; the state should act as the guarantor of this process but may not be always the best provider of the services. Equally, it would be a mistake to swap private sector failure for state failure; simply returning to an economy in which there is a high level of state ownership and provision will not automatically realign provision with the interests of users, employees or the common good.

- NEF therefore proposes that **a new approach is needed in which the state and groups of people with a common social interest (such as care users, housing tenants or groups of employees providing a particular service) share ownership and control of the assets.** These public-social partnerships require new forms of ownership to be defined, supported and sheltered from the market, probably involving legislation.

Some call these public-commons partnerships,<sup>52</sup> but beyond the label, the aim of placing socially important assets and activities, such as social housing, schools, care and childcare, beyond the reach of globalised capital and putting them into local, democratic control remains the same.

- The state can already reinforce its desire to see ownership and control in the hands of those providing and using services by **ensuring regulatory and commissioning processes support the**

**development of enterprises that build social wealth** and lock this wealth into locations and among clearly defined groups of people.

Some UK authorities are already obliged to favour socially-orientated providers of services. For instance in the Welsh Assembly's 2014 Social Services and Well-Being Act, local authorities are obliged to 'promote social enterprises, co-operatives, user-led services and the third sector'.<sup>53</sup> But in an economic environment that is broadly hostile to co-operatives and social businesses, this obligation is not sufficient.

- Thus we propose that **authorities are given powers and resources to intervene when there are opportunities to do so to move physical assets, such as adult and childcare premises, schools or land, into long-term public-social partnerships.**

The state does not only have a role in public-social partnerships as providing shelter for vital social assets, but also as a partner in the design and delivery of services, which must ultimately be brought back into the realm of democratic accountability.

- Some of these powers are discussed in the UBS section above, and are centred around a **right to buy, in which users or workers or both are given the opportunity and access to finance to take control of providers when they are up for sale or in ownership transition.**
- In NEF's Cooperatives Unleashed report, we also **propose that a new Co-operatives Development Agency (CDA) is established for the whole of the UK,** supplementing and enhancing the role that Cooperative Development Scotland and the Wales Cooperative



FOSSETTS FOR THE PEOPLE

## SOUTHEND RESIDENTS DEMAND SOCIAL HOUSING

In 2018, NEF and the Royal College of Nursing produced a report examining how many of the NHS sites sold off to private developers under the government's public land disposal programme had been used to build homes which nurses and other key NHS staff could afford. We found that four out of five sites produced no homes for affordable nurses.

Meanwhile in Southend-on-Sea, a group of local residents and NHS staff had come together to successfully fight the closure of their local A&E department. As part of the programme of cuts they were fighting, land at a site called Fossetts Farm, earmarked for a state of the art diagnostic centre, was

sold to the central government agency Homes England, one of the bodies identified in the NEF research as failing to provide social homes on its land.

NEF community organisers worked with campaigners against the original sale to build an alliance of residents, local unions and women's guilds called Fossetts For The People. The aim, in a town suffering rising house prices and some of the worst levels of homelessness in the region, is to ensure the site provides hundreds of new council homes, remains in public hands, and that local people have a say in the scheme. The group want to see the site used to house key workers and provide sustainable social homes.

Centre already play. In its widest sense, a CDA could act as a new national, regional and local public-social partnerships hub, supporting and sheltering the development of new models of democratic ownership of social assets.<sup>54</sup>

## 4. DEMOCRATIC OWNERSHIP OF LAND

Land is probably the single most significant target of speculation of any UK asset. A high proportion of wealth inequality is determined by land ownership. And yet land sits at the heart of multiple crises, including the housing crisis and a significant part of the ecological crisis. Reform is needed in the way land is owned, accessed, used and controlled.

- A first step is to create **transparency in land ownership**. Information on beneficial land ownership, control and subsidies, charges and options should be publicly available. This will be crucial to enable SME builders and community groups to have a fairer chance of development, to crack down on tax avoidance and money laundering, and to enable equitable forms of taxation.
- As an additional measure, the government must **close the viability loophole which enables developers to evade affordable housebuilding** and use the planning system to deliver more affordable housing.

## AN ENGLISH LAND COMMISSION

Changing the patterns and structures of land ownership will take time and will require careful negotiation with a variety of stakeholders.

- Following Scotland's example, **England must establish a Land Commission to identify policies needed for a more**

**equitable distribution of land, land values and a fairer land system.**<sup>55</sup>

- The commission should consider whether a land value tax is needed to redistribute unfair gains which accrue to landowners through public investment and land value increases. Land would also be significant in the development of public-social partnerships, with the **Public Land and Housing Corporation** (see New Social Settlement and below) growing the proportion of state-owned land to support the development of social housing and to allow social providers of public services to thrive.

## 5. DEMOCRATISE CORPORATIONS

A large part of the democratic deficit has been created by the empowerment of large corporations throughout the era of what economist Dani Rodrik calls hyper globalisation.<sup>56</sup> Some of the levers that need pulling to reign in the financialisation of firms are at the international level and have been created through trade and investment treaties and financial liberalisation. But measures are needed to anchor capital at the national level while the international debate perhaps moves towards a different model of globalisation.

## INCLUSIVE OWNERSHIP FUNDS

As state entities were sold and economies liberalised in 1980s, the promise was of a share-owning democracy. But this Thatcherite vision has crumbled, leaving the majority of the ownership rights concerning businesses located in the UK in the hands of people with no direct interest in or concern for UK wellbeing or even for the long-term interests of individual firms.

In the past two decades, more and more

publicly listed companies have been taken into private hands and those that remain are, in many cases, being denuded as firms buy back their own shares in order to reward executives, especially as regulation on senior-level pay has tightened. The corporation is no longer an entity for the provision of goods and services, but a vehicle for financial leveraging, and yet owners still benefit from the state subsidy of limited liability. It is time to demand more for this benefit.

- NEF proposes **Inclusive Ownership Funds, in which all firms over a certain size are mandated gradually to transfer ownership rights into a collective fund controlled by the workforce**. The rate of transfer of assets into funds should be at around 1% of equity per year and up to around 10% of equity in total, mirroring existing common practice in firms but with rewards shared among employees and not seized by executives.
- Funds would pay annual dividends to all employees, up to a national cap after which **remaining yield would be pooled in regional Economic Transformation Funds**, which would help support the development of co-operatives, worker-owned businesses and other small and medium-sized enterprises. The funds would also help provide advice and support to self-employed people.
- In addition, the proposals we make in the New Social Settlement on **empowering trade unions** are critical as part of rebalancing power and reward in the company. Democratising ownership will not alone help anchor capital in places and bring it within people's daily control; this will have to be fought for and won through collectivising the power of employees.

- Other corporate reforms are critical to rebalancing the relationship between the democratic and the market economies. NEF supports legislation to **compel companies to place elected worker representatives on boards** and the development of a **new 'social license' for business in which owners of firms are required to accept a range of conditions** – including trade union recognition and Green New Deal compliance – in return for the state subsidy of limited liability.

## 6. DEMOCRATISE THE DIGITAL ECONOMY

In the digital economy, power is derived from the ownership and control of data. While this is at the centre of most of the emerging business models, the state has an important role in ensuring the ownership and use of data is separated and that people have more control over their data identities.

Learning from the wider economy, it is important that this is not approached through the lens of consumer sovereignty and greater liberalisation of data, but rather by creating new, default ways for how data is used and controlled. However, given that both state and market have an interest in controlling and using people's data in a way that might not serve their interests, democratising the data economy requires the creation of a data commons that is controlled by users.

## AN INDEPENDENT NATIONAL DATA STORE

The government should create an independently run National Data Store. This would be a decentralised digital store for data profiles that individuals can access and control through an easy-to-use app or website.

- While the state would establish the system, **its structure and architecture would ensure that the role of the state would be restricted to merely creating it and enforcing the rules and rights needed for the system to work.** As a consequence, users would have direct control over the data, verified attributes, and inferences in profiles.
- One option is for **an independent, arms-length commission, answerable to Parliament but not to government or government department, to run the National Data Store** and also stipulate conditions of access. This would leave companies, government agencies and municipalities on an equal footing as

they tap into this identity system instead of a myriad of privately maintained digital profiles and reputation scores.

- To ensure that digital profiles are accurate, and that individuals are empowered to own their digital identity, **we also recommend Government creates a Digital Passport system to ensure people have control of their digital profile while prioritising privacy.** This would also be independently governed piece of decentralised infrastructure that allows us to securely and privately prove our digital identity online.

## APPENDIX 1: COSTINGS

For those proposals that require a significant increase in either government day-to-day spending (public sector current expenditure – PSCE) or capital investment (public sector net investment – PSNI), we have included brief discussions of the fiscal implications in our narrative above. The estimated effects of these proposals relative to the OBR’s core forecast for government’s total managed expenditure (TME) are summarised over a three-year time horizon in the tables below. Table 1.1 sets out the change in fiscal position in cash terms and table 1.2 presents the same figures as a percentage of GDP. All changes presented in the tables are net of any reductions in public spending implied by our prospectus – such as pertaining to HS2 and Heathrow airport expansion – since we assume the funds saved from these projects should be

cycled into greener, and more just, public infrastructure investment on top of the commitments set out below.

Table 1.3 also lists potential sources of additional government revenue that could be used to reduce reliance on borrowing to fund public investment, services and cash transfers. However, we propose that borrowing is deliberately expanded in a responsible way and in line with new fiscal rules that target the most effective use of so called ‘fiscal space’ (see above sections on a New Social Settlement and a Green New Deal) – and with respect to the three crises we have identified. In particular, higher public borrowing should be used to frontload and accelerate investment in zero carbon infrastructure in a way that also helps to rebalance the economy.

**Table 1.1: Proposed changes in government expenditure and investment in £billions.**

Change compared to OBR baseline (£ billion, nominal)	2020-21	2021-22	2022-23
<b>Total managed expenditure (TME)</b>	<b>27.2</b>	<b>56.3</b>	<b>87.4</b>
<i>Of which</i>			
Public sector current expenditure (PSCE)	12.0	24.8	38.6
<i>Of which</i>			
<i>Universal basic services (phase 1)</i>	7.6	15.7	24.4
<i>Minimum income protection</i>	4.0	8.3	12.9
Public sector net investment (PSNI)	15.2	31.4	48.8
<i>Of which</i>			
<i>Green New Deal infrastructure</i>	15.2	31.4	48.8

**Table 1.2: proposed changes in government expenditure and investment in %GDP.**

Change compared to OBR baseline (% GDP)	2020-21	2021-22	2022-23
<b>Total managed expenditure (TME)</b>	<b>1.2</b>	<b>2.4</b>	<b>3.6</b>
<i>Of which</i>			
Public sector current expenditure (PSCE)	0.5	1.1	1.6
<i>Of which</i>			
<i>Universal basic services (phase 1)</i>	<i>0.3</i>	<i>0.7</i>	<i>1.0</i>
<i>Minimum income protection</i>	<i>0.2</i>	<i>0.4</i>	<i>0.5</i>
Public sector net investment (PSNI)	0.7	1.3	2.0
<i>Of which</i>			
<i>Green New Deal infrastructure*</i>	<i>0.7</i>	<i>1.3</i>	<i>2.0</i>

For the purposes of this costing exercise, we widen the definition of total managed expenditure (TME) to include two categories of 'tax expenditure' as described by the National Audit Office (NAO) 'Tax Reliefs' 2014: (a) 'promoting economic and social objectives' and (b) 'improving the progressivity of tax'. These tax expenditures are included in our baseline because we believe they are economically and fiscally comparable to other forms of government expenditure, and therefore should be treated on a like-for-like basis for the purposes of costings. This means that our policy for a Weekly National Allowance does not feature as a net expenditure as it is funded entirely from savings made from an existing tax expenditure that falls within the above categories (the personal allowance of income tax) and existing means tested benefits.

\*The £10 billion annual cost of investing in new zero-carbon social housing, which is taken from Shelter 2018, is included in our investment costs for a Green New Deal.

**Table 1.3 Proposed sources of additional revenue with yield estimates in £billions in 2022/23 terms.**

Options for tax increases	2022/23 terms	Source
Flat rate pension relief	Flat rate pension relief is highly progressive compared with current system and would be revenue neutral if set at 29%. Every percentage point cut in relief would be worth just over 1 billion, up to a maximum of around £10bn if reduced to 20%.	NEF analysis based on <a href="#">Resolution Foundation 2016</a> and <a href="#">OBR 2019</a>
Corporation tax	A 1 percentage point increase in corporation tax would raise around £3bn. Restoring the rate of corporation tax to 2010 levels would raise at least £26bn, after adjusting for some non-linearity due to behavioural effects	NEF analysis based on <a href="#">HMRC 2019</a> and <a href="#">OBR 2019</a>
Gift tax	Replacing inheritance tax with a gift tax that included inheritance in the (adjusted) income tax schedule could raise between £5bn and £11bn, depending on the level of adjustment to the schedule	NEF analysis based on <a href="#">Resolution Foundation 2018</a> and <a href="#">OBR 2019</a>
Capital gains tax	Abolishing the three main discredited reliefs in CGT (annual exempt amount, entrepreneurs relief and death relief) would raise about £8bn, and this could rise to up to £23bn if the rates of CGT are equalised with Income Tax after adjusting for behavioural effects and depending on whether a rate of return allowance is also introduced.	NEF analysis based on <a href="#">IPPR 2019</a> and <a href="#">OBR 2019</a>
Upper earnings limit of employee NICs	A 1 percentage point increase in the rate of employee NICs above the Upper Earnings Limit would raise just over £1bn, up to a maximum of around £11bn if the UEL is abolished entirely	NEF analysis based on <a href="#">HMRC 2019</a> and <a href="#">OBR 2019</a>
Formula based income tax	Replacing Income Tax and employee NICs with a modest formula based income tax system could raise around £7bn, however this would be instead of a making changes to the upper earnings limit of employee NICs	NEF analysis based on <a href="#">IPPR 2018</a> and <a href="#">OBR 2019</a>
<b>Total £ billion</b>	<b>Up to £59.6bn</b>	
<b>Total % GDP</b>	<b>Up to 2.4% of GDP</b>	

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*“We enter the 2020s with a political consensus that the economy is not working, and with all major political parties in the UK in search of a new economic agenda. Crisis is upon us, but, as we are reminded each day, the solutions exist and people are already putting them into practice on the ground. The duty of today’s policymakers is to listen and be brave enough to respond.”*

**This prospectus sets out some of the immediate actions the government can take to set us on course for an economy that works for everyone.**

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